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UNCLAS SAN JOSE 002186

SIPDIS

WHA/CEN
EB FOR WCRAFT, BLAMPRON
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TREASURY FOR VJORSTAD, RWARFIELD

E.O. 12958: N/A

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SUBJECT: GOCR REQUESTS AND EMBASSY SUPPORTS EXTENSION OF
U.S. TREASURY TAX ASSISTANCE PROGRAM

1. Summary: Embassy supports GOCR request to extend project of U.S. Treasury Department Office of Technical Assistance (OTA) Tax Team beyond December 31, 2005 projected termination date. End summary.

2. Charge d'Affaires received the following letter from Minister of Finance on August 26, 2005:

Begin Text:

The purpose of this letter is to request your assistance with securing the continuation of a technical assistance program between the Ministry [of Finance] and the United States Treasury Department's Office of Technical Assistance.

Under terms of an agreement signed last March between the U.S. Treasury and President Pacheco, a technical assistance project was initiated to assist the General Tax Directorate in improving its programs and its institutional strength. During the initial four months of the project, assistance activities have begun in the following program areas: Tax Appeals, Audit, Enforced Collection, Information Systems, Training and Planning and Management. The impact of the assistance initiative has been very positive, but the accomplishments have been limited because of the shortness of time and there remains much to do. Therefore, it is of great importance that the project be continued at the current or more rapid pace in 2006 in order to further the accomplishments.

Improvement of the tax system and increased revenue collections are of paramount importance to the continued economic viability of Costa Rica, and I view Treasury Project Coordinator Larry Westfall and his team of expert tax administrators as instrumental in continuing our progress to realizing our strategic goals and to achieve and sustain required improvements.

Sincerely yours,
Federico Carillo Zurcher
Minister of Finance

End Text:

3. Embassy supports an extension of OTA assistance beyond the projected termination date of December 31, 2005. We believe that the project has been very successful to date and will lead to more efficient tax collection and thus long-term fiscal stability, an important corollary to the country's effective implementation of CAFTA-DR.
FRISBIE